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Arizona Corporation Commission

DOCKETED

AZ CORP COMMISSION  
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NOV 24 2010

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

IN THE MATTER OF THE APPLICATION OF  
CHAPARRAL CITY WATER COMPANY,  
INC. FOR A WAIVER UNDER A.A.C. R14-2-  
806 OR, IN THE ALTERNATIVE, NOTICE  
OF INTENT TO REORGANIZE UNDER  
A.A.C. R14-2-803.

DOCKET NO. W-02113A-10-0309

**JOINT RESPONSE TO STAFF AND  
RUCO DIRECT TESTIMONY**

In the interest of simplifying this proceeding and reducing paperwork, Chaparral City Water Company, Inc. ("the Company") and EPCOR Water (USA), Inc. ("EPCOR USA") hereby provide their joint response to the direct testimony filed by the Utilities Division ("Staff") and the Residential Utility Consumer Office ("RUCO").

Generally, the Company and EPCOR USA have no objections to or disagreements with the pre-filed testimony of Staff witness Carlson and RUCO witness Rigsby concerning the proposed sale of the Company's common stock to EPCOR USA.

Both witnesses have accurately described the transaction and the impact on the Company and its ability to furnish safe and reliable water utility service. And both witnesses conclude that the proposed transaction satisfies the standard set forth in A.A.C. R14-2-803 for the reorganization of a public utility holding company.<sup>1</sup> The only aspects of the direct testimony filed by Staff and RUCO that require response and discussion are two of the conditions

<sup>1</sup> Under R14-2-803(C), "the Commission may reject the proposal if it determines that it would impair the financial status of the public utility, otherwise prevent it from attracting capital at fair and reasonable terms, or impair the ability of the public utility to provide safe, reasonable and adequate service."

1 recommended by Staff.

2 First, Mr. Carlson recommends that the Company be ordered "to maintain its quality of  
3 service, including, but not limited to, that the number of service complaints should not increase,  
4 that the response time to service complaints not increase, and that service interruptions should not  
5 increase as a result of the reorganization." (Carlson Dt. at 9.) As a general matter, this condition  
6 is not problematic. EPCOR USA intends to ensure that the Company provides high quality  
7 service, high levels of customer care, and the highest levels of system reliability and adequacy.  
8 And it is clearly appropriate for the Commission to make certain that the quality of service is not  
9 adversely affected by the transaction. However, the standards employed in this condition are  
10 uncertain and may lead to confusion later.

11 The fact that a service complaint is filed does not necessarily mean that the quality of  
12 service has deteriorated. Likewise, a service interruption may not indicate a problem with the  
13 quality of service or the system's reliability, but instead may be caused by circumstances beyond  
14 the Company's and EPCOR USA's control. Therefore, the Company and EPCOR USA suggest  
15 that this recommendation be modified to more precisely define the events that would be used to  
16 determine if a change in the quality of service has occurred.

17 Second, Mr. Carlson recommends that the Company and its affiliates "fully cooperate  
18 with Staff in any future inquiries or requests for information and/or documents regarding any  
19 transactions that Staff determines might have some effect, direct or indirect, on the Company's  
20 operational or financial health." (Carlson Dt. at 9.) The Company and EPCOR USA  
21 acknowledge that the Commission has been delegated broad regulatory and investigatory  
22 authority with respect to public service corporations. Under A.A.C. R14-2-804, for example, the  
23 Commission has the power to review and approve certain transactions between a public service  
24 corporation and its affiliates.

25 The proposed condition thus appears to require that the Company continue to comply with  
26 existing law and agency regulations. The Company and EPCOR USA intend to cooperate with

1 the Commission. We understand that this condition would not require the Company or EPCOR  
2 USA to waive its legal right to raise legitimate objections to information requests. Consequently,  
3 if the condition is adopted by the Commission, the language should be modified to clarify that it  
4 does not override the Company's rights to object to inquiries or requests for information and to  
5 argue for the confidentiality of submitted information in an appropriate case.

6 As indicated, the Company and EPCOR USA have no serious disagreements with the  
7 Staff and RUCO direct testimony, and generally do not take issue with the conditions they have  
8 recommended. The foregoing suggestions are intended to ensure that there is no subsequent  
9 confusion over standards and requirements imposed on the Company if the conditions  
10 recommended by Staff are adopted by the Commission.

11 RESPECTFULLY SUBMITTED this 24 day of November, 2010.

12  
13  
14 By Norm D. James  
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25  
26

1 **CERTIFICATE OF SERVICE**

2 **ORIGINAL** and thirteen (13) copies  
3 of the foregoing were filed  
4 this 24<sup>th</sup> day of November, 2010, to:

5 Docket Control  
6 Arizona Corporation Commission  
7 1200 W. Washington St.  
8 Phoenix, AZ 85007

9 **COPY** of the foregoing hand-delivered  
10 this 24<sup>th</sup> day of November, 2010, to:

11 Teena Jubilian, Administrative Law Judge  
12 Hearing Division  
13 Arizona Corporation Commission  
14 1200 W. Washington St.  
15 Phoenix, AZ 85007

16 Robin Mitchell, Esq.  
17 Bridget Humphrey, Esq.  
18 Legal Division  
19 Arizona Corporation Commission  
20 1200 W. Washington Street  
21 Phoenix, AZ 85007

22 Steven Olea, Director  
23 Utilities Division  
24 Arizona Corporation Commission  
25 1200 W. Washington Street  
26 Phoenix, AZ 85007

**COPY** of the foregoing mailed  
this 24<sup>th</sup> day of November, 2010, to:

Daniel Pozefsky, Chief Counsel  
Michelle Wood, Esq.  
Residential Utility Consumer Office  
1110 W. Washington Street, Suite 220  
Phoenix, AZ 85007

24  
25 By Mary L House  
26 2372755